

Message Text

LIMITED OFFICIAL USE

PAGE 01 TEL AV 02617 020903Z

15

ACTION NEA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-02

H-02 PA-01 USIA-06 PRS-01 /083 W

----- 130573

R 020830Z MAY 75

FM AMEMBASSY TEL AVIV

TO SECSTATE EWASHDC 6494

INFO AMEMBASY AMMAN

AMEMBSSY BRAZIL

AMCONSUL JERUSAELEM

LIMITED OFFICIAL USE TEL AVIV 2617

E.O.11652: N/A

TAGS: EFL,, IS

SUBJECT: POSSIBLE CRAWLING PEG ARRANGEMENT FOR
ISRAEL POUND

1. RUMORS HAVE APPEARED RECENTLY IN ISRAELI PRESS ABOUT POSSIBILITY OF ANOTHER DEVALUATION OR EVEN FLOAT OF ISRAELI POUND. IN CONVERSATION WITH EMBOFFS THIS WEEK, SENIOR MINISTRY OF FINANCE OFFICIALS DENIED THAT ANY CONSIDERATION IS BEING GIVEN TO ANOTHER DEVALUATION. THEY CONFIRMED, HOWEVER, THAT DISCUSSIONS HAVE TAKEN PLACE WITHIN MINISTRY ON POSSIBILITY OF QUOTE CRAWLING PEG UNQUOTE ARRANGMENT ALONG LINES OF BRAZILIAN MODEL. IDEA WOULD BE TO CHANGE VALUE OF POUND PERIODICALLY BY SMALL AMOUNTS RATHER THAN BE FORCED INTO MAJOR DEVALUATION EVERY FEW YEARS AS IN PAST. SOURCES STRESSED THAT THESE DISCUSSIONS ARE VERY MUCH IN PRELIMINARY STAGE AND NO EARLY DECISION IS ANTICIPATED.

2. COMMENT: BLACK MARKET RATE FOR POUND HAS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TEL AV 02617 020903Z

CLIMBED TO AROUND IL6.75 TO DOLLAR, AS RESULT DEVALUATION

RUMORS ESPECIALLY ON WESTBAK. ON OTHERHAND, RATE FOR NATAD DOLLAR DEPOSITS, WHICH IS BETTER INDICATOR, IS HOVERING AT ONLY IL 6.03. WE NEVERTHELESS BELIEVE IT LIKELY THAT AT SOME POINT ISRAEL WILL MOVE TO MORE FLEXIBLE EXCHANGE SYSTEM. DETERRENT SO FAR HAS, OF COURSE, BEEN FEAR OF TAKING SUCH A JUMP INTO UNKNOWN DURING PERIOD OF ECONOMIC UNCERTAINTIES, HIGH INFLATION AND HUGE CURRENT ACCOUNT DEFICITS (FLOWING IN PART FROM ESSENTIAL IMPORTS). A PROBLEM WITH CRAWLING PEG IS ENSHRINED COST-OF-LIVING ALLOWANCE SYSTEM IN ISRAEL (BRAZILIANS REPORTEDLY CAN EXCLUDE WAGES FROM LINKAGE). POUND WOULD BE ALMOST CERTAIN TO DEVALUE SUBSTANTIALLY IF FLOATED, AND THUS RESULT IN SHARP INCREASE IN IMPORT PRICES AND REDUCTION IN LIVING STANDARDS. THUS, WE BELIEVE CRAWLING PEG TYPE ARRANGEMENT IS MORE LIKELY. BUT BECAUSE DECISION WILL BE VERY DIFFICULT, IT WILL PROBABLY BE PUT OFF WITH HOPE THAT THERE WILL BE NO FURTHER DETERIORATION IN ISRAEL'S EXTERNAL POSITION.

3. INTERESTINGLY, WE UNDERSTAND GOI HAS DECIDED IN PRINCIPLE TO APPLY DURING PRESENT FISCAL YEAR (WHICH BEGAN ON APRIL 1) A QUOTE CREEPING EXPORT INCENTIVE UNQUOTE. THIS IS AN EXTRA EXPORT BONUS OF FOUR ARAROT PER DOLLAR OF EXPORTS EACH MONTH, WHICH WILL INCREASE REGULAR EXPORT PREMIUM BY SOME FIVE PERCENT OVER PERIOD OF YEAR. VELIOTES

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVALUATIONS, CURRENCIES
Control Number: n/a
Copy: SINGLE
Draft Date: 02 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TELAV02617
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750154-0537
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750584/aaaaczkl.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 08 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 AUG 2003 by izenbei0>; APPROVED <28 NOV 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: POSSIBLE CRAWLING PEG ARRANGEMENT FOR ISRAEL POUND
TAGS: EFIN, IS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006